

## AGENDA ITEM 4 (INFORMATION ITEM) COMMISSION STAFF REPORT

### CDIAC Staff Report June 20, 2011

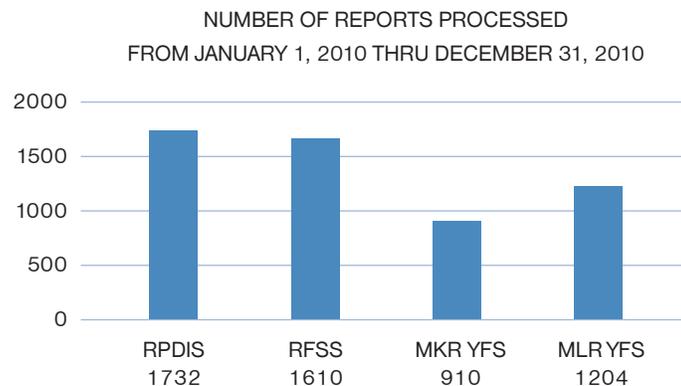
#### DATA COLLECTION AND ANALYSIS UNIT

California Government Code requires CDIAC to collect, maintain, and provide comprehensive information on all state and local debt authorization and issuance, and serve as a statistical clearinghouse for all state and local debt issues. These statutory functions are carried out by CDIAC's Data Collection and Analysis Unit (Data Unit).<sup>1</sup>

In 2010, the Data Unit staff received 5,456 reports from issuers of public debt. These included Reports of Proposed Debt Issuance (RPDIs), Reports of Final Sale (RPSs), Marks-Roos Yearly Fiscal Status Reports (MKR YFS) and Mello-Roos Yearly Fiscal Status Reports (MLR YFS). Figure 1 contains a breakdown of the reports submitted and processed by the Data Unit.

**FIGURE 1**

#### CDIAC REPORTS PROCESSED

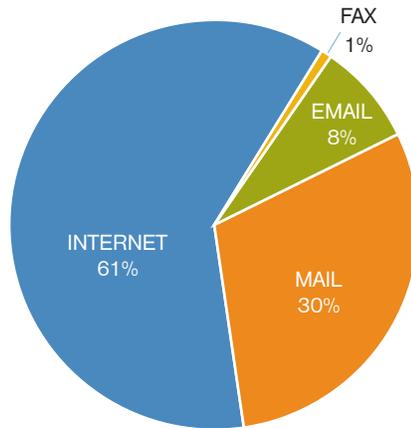


<sup>1</sup> Debt Issuance information and reporting is tracked by calendar year.

Issuers have the option of submitting reports to CDIAC in paper form (by mail or FAX), email, or the Internet. Figure 2 identifies the methods of delivery used by issuers to report to CDIAC.

**FIGURE 2**  
METHOD OF REPORTING

STATE AND LOCAL ISSUANCE  
METHODS OF SUBMITTAL, ALL REPORTS\*  
JANUARY 1, 2010-DECEMBER 31, 2010



TOTAL REPORTS RECEIVED: 3846

\*Excludes Reports of Final Sale.

The Data Unit is also responsible for the collection of CDIAC issuance fees. Fees are assessed based on the amount of principal issued, the length of maturity (long-term versus short term) and the type of issuance.<sup>2</sup> During 2010, CDIAC issued 1,190 invoices for more than \$1.7 million in fees to public issuers. Of the invoices sent in 2010, two were cancelled and only one remains uncollected.

CDIAC FEES INVOICED TO THE STATE AND LOCAL ENTITIES  
BY MATURITY TYPE, CALENDAR YEAR 2010

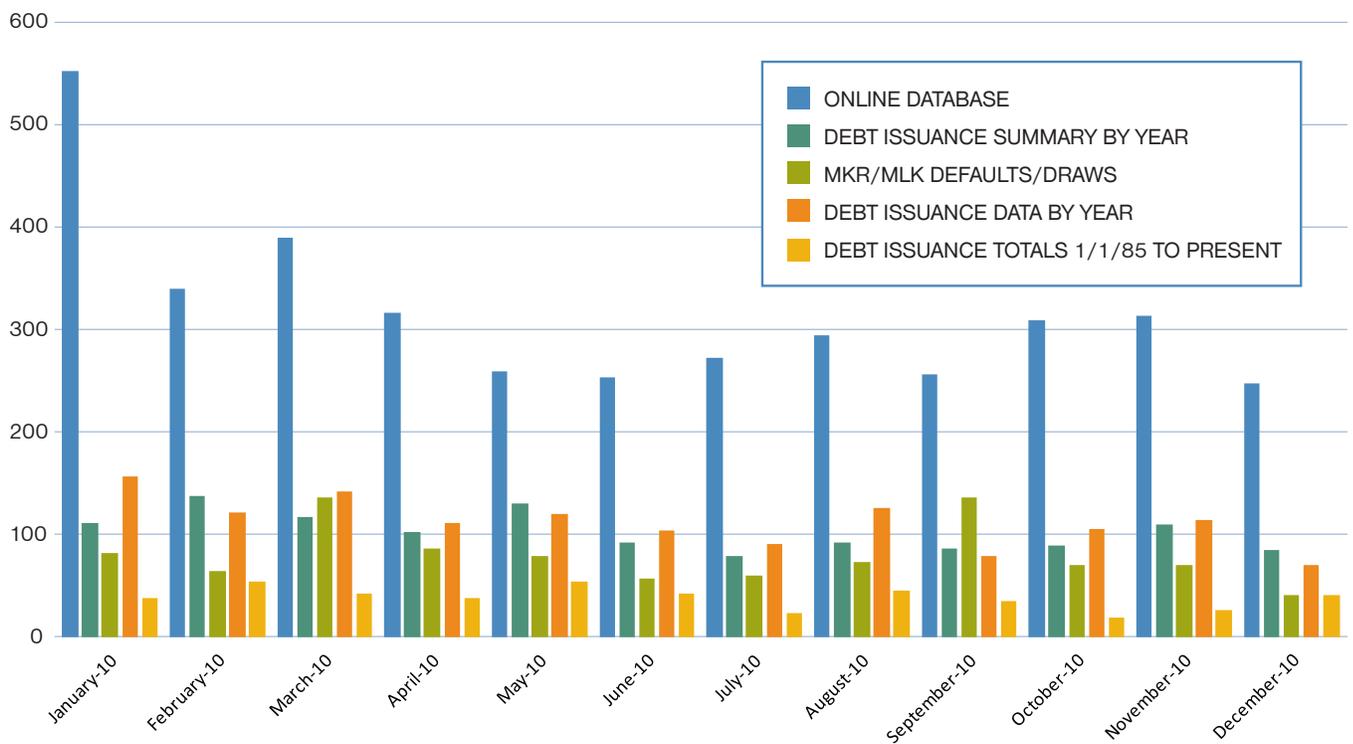
	LONG-TERM ISSUES		SHORT-TERM ISSUES		TOTALS	
	FEES	INVOICES	FEES	INVOICES	FEES	INVOICES
State	\$171,995	74	\$300	2	\$172,295	76
Local	1,511,275	776	50,700	338	1,561,975	1,114
TOTAL	\$1,683,270	850	\$51,000	340	\$1,734,270	1,190

<sup>2</sup> Long-term maturities are issues for which the length of final maturity is greater than 18 months. Short-term maturities are issues for which the length of final maturity is eighteen months or less. Short-term maturities are assessed a flat fee of one-hundred and fifty dollars (\$150). For more information, see our Fee Reporting Schedule located at [www.treasurer.ca.gov/cdiac/reporting/feeschedule.asp](http://www.treasurer.ca.gov/cdiac/reporting/feeschedule.asp).

Government Code Section 8855(h)(3) requires CDIAC to collect, maintain, and provide comprehensive information on all state and local debt issuance in California. CDIAC meets this requirement by publishing annual reports on debt issuance. In addition, CDIAC posts debt issuance information on its website, including a searchable debt issuance database, defaults and draws on reserve reported to CDIAC for Mello-Roos and Mark-Roos financings, and general debt issuance data by year.<sup>3</sup> Figure 3 below reflects the hits for the web pages that display the debt issuance data collected by CDIAC's Data Unit.

**FIGURE 3**  
ONLINE DATABASE STATISTICS

ONLINE DEBT ISSUANCE INFORMATION  
NUMBER OF HITS  
CALENDAR YEAR 2010



<sup>3</sup> The searchable debt issuance database that is available on the CDIAC website does not contain all 100 data points collected per debt issuance by CDIAC staff-instead it contains the most commonly requested information for each issue submitted to CDIAC.

In late 2009, CDIAC began a project to reduce the amount of paper files stored on-site by scanning and storing paper files in an electronic filing system. As of December 31, 2010, 407 of 1,357 paper files (approximately 30 percent) have been reviewed and scanned.

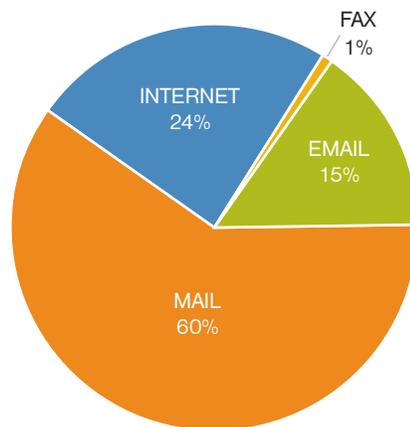
The Data Unit responded to 48 requests for technical assistance during the year. Nearly half of the requests were requests for information on the yearly fiscal status of Marks-Ross and Mello-Roos bonds. The second most requested type of information was cost of issuance data, including financing team members and the amount of fees paid. Lastly, the Data Unit answered two requests for information on the amount and type of Build America Bonds issued by state and local agencies.

During 2010 the Data Unit continued to work to remedy issues resulting from the 2009 upgrade of CDIAC's debt issuance database. The database contains data on more than 45,000 reported issues and is the source for issuing invoices for the collection of CDIAC fees.

The Data Unit continued to focus on improving customer interface with CDIAC's web-based reports. CDIAC received 1,732 Reports of Proposed Debt Issuance (RPDIs). Sixty percent of these were received by mail (Figure 4). Mailed reports require CDIAC staff to "hard enter" the data into its database. To reduce or eliminate this additional work and reduce the opportunity for errors CDIAC is undertaking steps to increase the rate of Internet reporting by debt issuers.

**FIGURE 4**  
METHOD OF REPORTING RPDI

STATE AND LOCAL ISSUANCE  
METHODS OF SUBMITTAL, RPDIs  
JANUARY 1, 2010-DECEMBER 31, 2010



TOTAL REPORTS RECEIVED: 1732

## EDUCATION AND OUTREACH UNIT

Government Code Section 8855(h)(7) requires CDIAC to provide a continuing education program to municipal debt and investment professionals.

### Seminar Enrollment

Due to the extended state budget impasse, CDIAC had to cancel or postpone its Fall 2010 seminar schedule. The lone exception was the 2010 Bond Buyer Preconference held in October 2010 .

In January 2011, CDIAC offered a two-day seminar on Investing Public Funds. The seminar, held in Concord, California, focused on short-term and interim financing strategies for local governments and the principles of public fund investing.

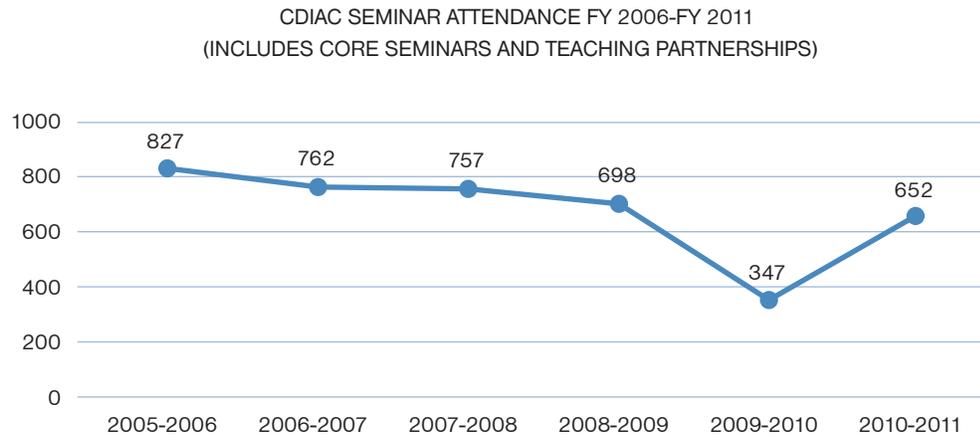
In February, CDIAC consolidated its three-part debt financing program into three one-day offerings, scheduled on consecutive days in Oakland, California. Attendees were able to register for one day or multiple days based on their interests. Consolidating the courses into one multi-day seminar allowed CDIAC to achieve efficiencies in its contracting process and reduce the costs for meeting space, audio visual equipment, and catering.

In March, CDIAC conducted a day-long seminar in Land-Secured Financing in Emeryville. The seminar addressed the development and administration of assessment and community facilities financing districts and the sale and administration of debt using these financing tools.

In April, CDIAC conducted a one-day seminar in Pomona, California on Municipal Disclosure, addressing the preliminary and secondary disclosure processes, governing laws and regulations, and the administrative models used by local agencies to disclose to the municipal market.

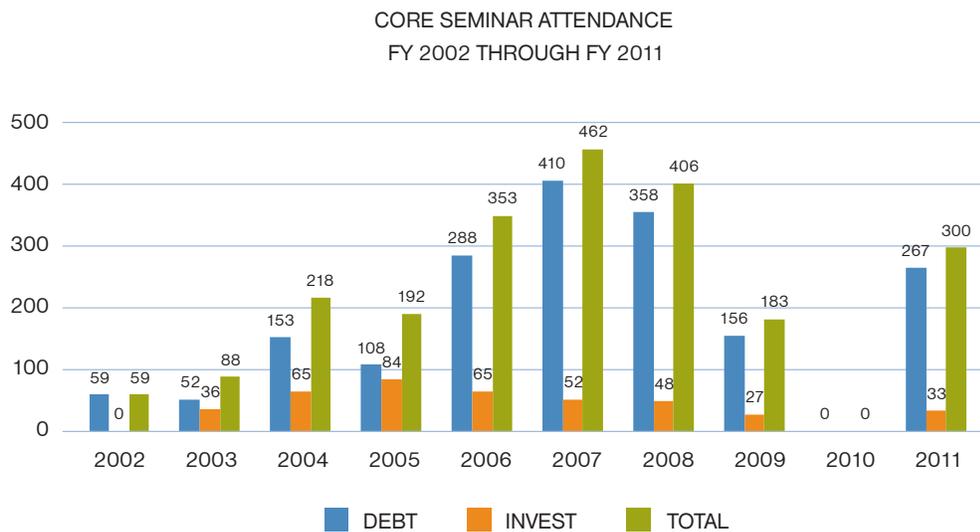
Attendance at CDIAC seminars grew by 87 percent from 347 in FY 2009-10 to 652 in FY 2010-11 (Figure 5).

**FIGURE 5**  
SEMINAR ATTENDANCE



A review of attendance at the Debt Seminar and Investment Seminars only reflects overall attendance returning to the levels achieved in FY 2005-06 and FY 2007-08 (Figure 6).

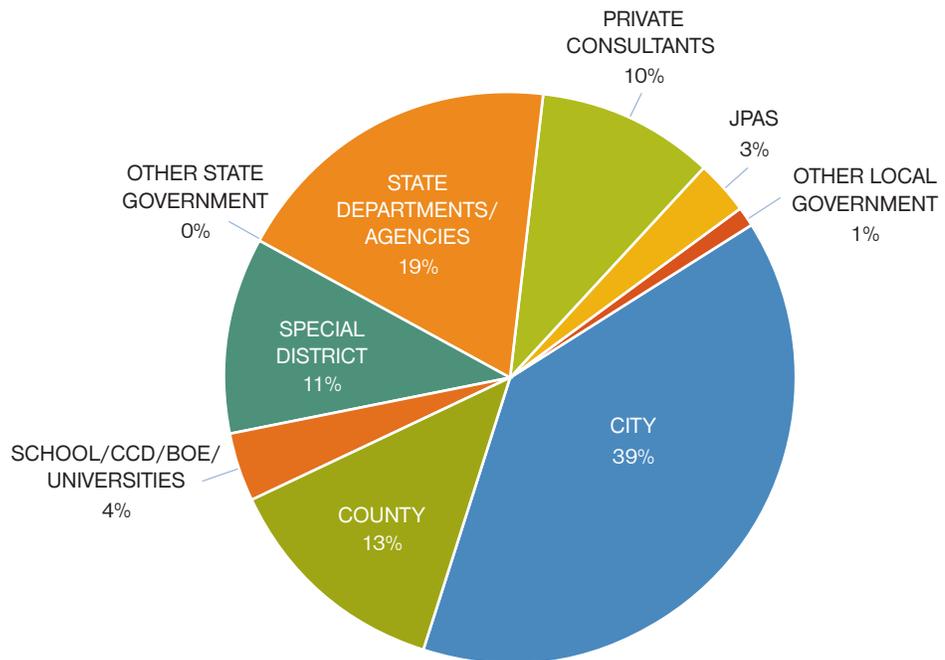
**FIGURE 6**  
SEMINAR ATTENDANCE  
DEBT AND INVESTMENT CORE SEMINARS ONLY



CDIAC continues to serve its core constituency, local public agencies, through its educational programs. Over the past 18 months, 64 percent of the attendees of CDIAC’s seminars have been representatives of cities, counties, special districts, and other local government entities (Figure 7). In an effort to increase enrollment in FY 2010-11, CDIAC allowed private participants to enroll in seminars. Private participation represented ten percent of total enrollment.<sup>4</sup>

**FIGURE 7**

ENROLLMENT AT CDIAC SEMINARS BY AGENCY TYPE  
JANUARY 2010 THROUGH JUNE 2011



To increase seminar attendance CDIAC conducted several marketing and outreach activities in FY 2010-11. These included the following strategies:

**PARTICIPATION IN REGIONAL FINANCE ASSOCIATION MEETINGS AND LUNCHEONS.** In FY 2010-11, Education unit staff and the Executive Director attended several regional and divisional luncheon meetings with the California Society of Municipal Finance Officers Association (CSMFO) and the California Municipal Treasurer’s Association (CMTA).

<sup>4</sup> CDIAC had previously allowed enrollment from private professionals only if they were contracted to represent a public agency or for specific program offerings. Private professionals pay a higher fee than public agencies to attend CDIAC seminars.

STRATEGIC PARTNERSHIPS. CDIAC staff conducted several one-on-one meetings with association group leaders including the CSMFO and California Special Districts Association (CSDA). Throughout the year, staff additionally spoke with industry leaders, such as the Association of Government Accountants, League of California Cities, and the California Attorney General's Office, to expand CDIAC's target markets for seminars.

DIRECT MARKETING OF SEMINAR. CDIAC resumed its approach of forwarding seminar brochures to individuals as a strategy to attract new attendees.

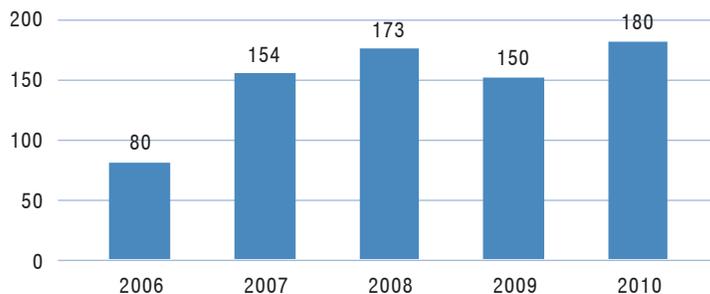
### Educational Partnerships

CDIAC provides continuing education outreach through annual association conferences by providing current topical municipal finance information. In FY 2010-11, CDIAC continued two successful partnerships with *The Bond Buyer* and the California Municipal Treasurer's Association (CMTA).

THE BOND BUYER. On October 6, 2010, CDIAC conducted a Pre-Conference program for *The Bond Buyer's* Annual California Public Finance Conference. The program, entitled *Re-writing the Rulebook: Regulatory Change and the Municipal Market*, marked the 10<sup>th</sup> year that CDIAC has held a pre-conference event at *The Bond Buyer*. Figure 8 reports on attendance levels over the past five years.

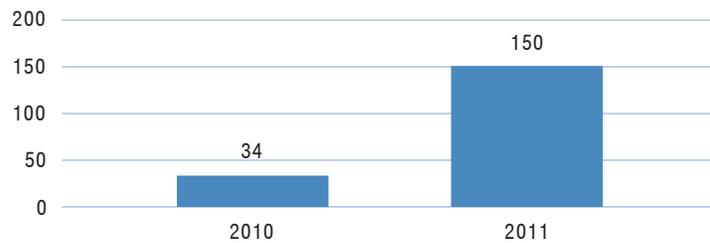
#### FIGURE 8

BOND BUYER CALIFORNIA PUBLIC FINANCE CONFERENCE  
ATTENDANCE NUMBERS  
FY 2005-06 TO FY 2010-11



CMTA ANNUAL CONFERENCE. The April 2011 CMTA conference marked the second year that CDIAC has collaborated with the CMTA to provide seminar content. In 2011, CDIAC offered three panels focusing on investing in the new market as a part of the CMTA general session. This approach, as demonstrated in Figure 9, generated higher participation than in 2010 when the CDIAC program was offered prior to the CMTA general session.

**FIGURE 9**  
CMTA ANNUAL CONFERENCE  
ATTENDANCE NUMBERS  
2010 AND 2011



## RESEARCH UNIT

Government Code Section 8855(h)(5) requires CDIAC to undertake or commission studies on methods to reduce the costs and improve credit ratings of state and local issues. Since the last Commission meeting in July 2010 staff have completed the following research assignments:

**ANALYSIS OF PUBLIC ENTERPRISE REVENUE BONDS.** CDIAC studied the use of enterprise revenue as the source of debt repayment in various regions in California since 1985.

**LOCAL AGENCY INVESTMENT GUIDELINES: UPDATE FOR 2010.** CDIAC updated this essential document used by local agency investment staff.

**LOCAL AGENCY RESPONSE TO FISCAL STRESS.** CDIAC studied the sources of fiscal stress experienced by local agencies over the past three years, along with the remedies being employed by these agencies to mitigate shortfalls in the current and future years.

**CALIFORNIA ISSUER'S RESPONSE TO NEW AND EXISTING MUNICIPAL BOND DISCLOSURE RULES.** CDIAC undertook an investigation of how California local issuers are complying with the requirements to provide annual financial reports to investors and the market. The study encompassed local government compliance to U.S. Securities and Exchange Commission's Rule 15c2-12 during fiscal year 2009 and 2010.

RESPONSE TO SB 867 – PENSION FUND REPORTING. CDIAC is working on an analysis of CalPERS pension contribution rate calculations as required under SB 867.

CITY OF BELL AND CITY OF VERNON FORENSIC RESEARCH. CDIAC has responded to questions from the Legislature related to bond issuance and derivative financings in these two cities.

DOYLE DRIVE PUBLIC PRIVATE PARTNERSHIP (P3). CDIAC carried out an analysis on the Doyle Drive project to better understand the terms of the financing and the role of the State and local governments in the project.

STATE AND LOCAL BOND MEASURERS, RESULTS OF THE 2010 GENERAL ELECTION AND RESULTS OF THE 2010 PRIMARY ELECTION. After each statewide election, the Commission summarizes and reviews all state and local fiscal measures considered during a statewide election.

## Publications

CDIAC continues to offer its seminar programs and research publications on the State Treasurer's website where state officials and local government officials register for CDIAC's seminars and access data and information. The top ten publications by internet hits for the past fiscal year are reflected in Figure 10. As shown in the chart, the most frequently accessed materials address technical aspects of debt financing.

## Academic Research

During 2010 CDIAC entered into a contract with the Center for Governmental Studies, California State University Sacramento to generate academic research in the field of municipal finance. One project nearing completion, analyzes the growth of debt issuance within California and reviews factors influencing debt issuance while comparing California's debt profile to other states. CDIAC staff provided project management, review and analysis for the project and contract. A final report is due to CDIAC in July 2011.

**FIGURE 10****TOP TEN PUBLICATIONS BY INTERNET HITS  
FISCAL YEAR 2010-11**

<b>PUBLICATION</b>	<b>NUMBER OF HITS</b>	<b>PERCENTAGE OF TOTAL HITS</b>
Understanding Interest Rate Swap Math & Pricing	37,164	43%
Duration Basics, Issue Brief	7,449	9
Monthly Debtline Publication	2,833	3
An Overview of Local Government General Obligation Bond Issuance Trends	2,418	3
Auction Rate Securities, Issue Brief	2,364	3
Appraisal Standards for Land-Secured Financings	2,118	2
California Debt Issuance Primer	1,255	1
Tobacco Securitization Bond Issuance in California, Issue Brief	935	1
California Debt Issuance Primer Handbook	640	1
State and Local Government Debt Data Resources - A Guide of Available On-Line Databases and Reports that contain State and Local Government Debt Information	554	1
<b>TOTAL - TOP TEN PUBLICATIONS</b>	<b>57,730</b>	<b>67%</b>
<b>TOTAL HITS TO PUBLICATIONS WEBSITE</b>	<b>86,191</b>	

\*July 1, 2010-April 30, 2011

**ADMINISTRATIVE ACTIVITIES****Cashiering Procedures**

CDIAC has formalized written cashiering procedures for the collection of debt issuance fees, seminar registration fees and primer purchases. One of the most important steps in the process is the recording of every check received by CDIAC in a log that also records the date the check was routed for processing. All financial transactions are reconciled against the monthly CALSTARS reports received from the Treasurer's Office Accounting Department.